Alternative benchmarking

Part I The business world in the 21st century has become an extremely competitive environment in which corporation seeks alternative arrangements to join forces with other players to ensure it’s current and long term survival. Some of the options available for the two companies to interchange resources are joint ventures, strategic alliances, hostile takeover, minority ownership, partnerships and exporting. The Lester Electronics scenario demonstrates a case in which many players are negotiating and evaluating different alternatives to buy equity sell equity or join forces with another player in the industry.

Lester Electronics had an exclusivity agreement to purchase its electronic supplies from Shangwa – Electronics which helped the firm obtain low-cost merchandise. This type of agreements is a common occurrence in the business world. Toyota Corporation is one of the largest car manufacturers which in 2007 sold over 8. 5 million vehicles worldwide (Toyota, 2008). Toyota Corporation signed an exclusive contract in 2002 with BHP Billiton to supply the firm with its fleet of vehicles in its Australia operation to reduce overall transportation costs for this company (Bhpbilliton, 2005). Toyota is a firm constantly looking to negotiate deals and to get involve in project that will add value to the company. Two examples of negotiations between this firm and two other giants in the car manufacturing industry are the GM and Ford negotiations. In 2006 Toyota in order to top the efforts of its direct competitors, Nissan and Renault, the company seriously considered an alliance with General Motors (Isidore, 2006). The financial position of GM was the key variable that did not allow the deal to get done at the time. In early 2007 a partnership formation between Toyota and Ford was in the works to form a joint venture or partnership on powertrain technology (Krebs, 2007).

Part II

The case study and the research into the automaker Toyota Corporation demonstrates the importance of the chosen capital structure of a company and the necessity to seek out alternatives to solve business issues to capitalize on business opportunities. A corporate business structure gives the management team and board of the directors of the firm the ability to make decision such as selling a portion of the business in the open market to finance projects that can generate income streams for a firm. Strategic alliances are great alternative for companies that do not involve an equity commitment which makes this strategic choice very popular in the international business environment. Two objectives that can accomplished through strategic alliances are obtaining exclusivity to supply a certain product or service and for international expansion purposes. In order for multinational corporations to expand its market share and gain greater control of a marketplace buying up a small or medium size firm has become a popular alternative for achieve market domination. In the Lester Electronic scenario two firms made different independent offers for Lester and Shangwa in order to achieve a higher market share. In the early stages of Toyota’s international expansion exporting was the primary strategy used to penetrate other markets. The US marketplace was the lucrative location Toyota was able to penetrate and establish themselves as a player with power which now is making strides to help out the local US based automakers to join forces with them by providing financial and technological resources. The motivation for the move is to hurt other exports of cars into the US which are hurting Toyota’s competitive position in this marketplace.

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